

RIGHTEOUS (HOLDINGS) LTD :
ALL ONE EVER NEEDED TO KNOW ABOUT INCOMPETENCE

On the basis of having to fork out at least \$HK47 million in order to service creditors and bank borrowings, all of which is due on or before August 31, 2000, Righteous (Holdings) Ltd is spitting into the wind – especially since the aggregate of the Company's Turnovers for the past 2 Financial Years has only been \$HK188 million.

Righteous is due to dispatch a Circular to Shareholders, within the next week or so, that Circular to contain, inter alia, details of the Subscription and Placing of its shares to a wholly owned subsidiary of another publicly listed company, which is, also, listed on The Stock Exchange of Hongkong Ltd: Silver Grant International Industries Ltd.

What appears to have been overlooked, by the investing public, since it was first announced, last January 9, that Silver Grant is to take a 44.82-percent interest in Righteous's Enlarged Share Capital, is that Righteous is, approaching a position where it could be said to be crawling on its financial knees.

While the popular Press was paying lip service to Righteous and its (important?) Board of Directors (the innuendo contained in the report of that English daily newspaper, published in South China), what was being, either misunderstood or conveniently forgotten, was that Righteous is a loser, as a profitable publicly listed company – and is likely to be a loser for some time to come.

The penultimate paragraph of a report, published on Monday, January 10, 2000, stated that Righteous, having obtained about \$HK110 million in the cash-raising exercise with Silver Grant, would use the money *'to repay a shareholders loan of about \$HK40 million, improve liquidity and strengthen existing business.'*

The shareholder's loan, to which this report refers, is an unsecured loan, amounting to about \$HK19.22 million, advanced by Project China Holdings Ltd, the ultimate holding company of Righteous.

As at the last Balance Sheet Date, August 31, 1999, Righteous was up shit creek without a paddle, without question, and unless it can sell off some of its real properties in the Current Year, it would be extremely difficult, if not impossible, to meet demands of creditors if pressed so to do.

Secured bank borrowings totalled about \$HK67.11 million, as at Balance Sheet Date 1999, of which about \$HK23.49 million was due on or before August 31, 2000.

Creditors and Accrued Charges stood in the Books of the Company at about \$HK23.47 million, and there was, also, a \$HK707,000-loan from a minority shareholder of a subsidiary, a loan which had been advanced interest-free with no fixed repayment terms.

(Logic dictates that the only reason that a minority shareholder of a subsidiary would agree to extend this seemingly, small amount of money to Righteous's subsidiary was if there was a pressing and immediate need for this seemingly small amount of money.)

Righteous has investment properties with a market value, as at August 31, 1999, of about \$HK76.50 million – if a willing buyer(s) could be found – so that, in theory, at least, if the properties could be sold, creditors and banks could be satisfied, in full.

The investment properties comprise 3 luxury residential units in Repulse Bay, Hongkong, one residential unit in North Point, Hongkong, one commercial unit in Central, Hongkong, and 3 commercial units in Yaumatei, Kowloon.

These properties brought in \$HK7 million, gross, in the last Financial Year, that figure, being a 34-percent decline over the gross rental income, obtained in the 1998 Year.

The Financials

For the 1999 Year, the Company turned in \$HK97-million Loss Attributable to Shareholders on a Turnover of just under \$HK88 million.

The 1999 Results compared with the 1998 Results when the Company turned in a Loss Attributable to Shareholders of about \$HK54.60 million on a Turnover of about HK100.03 million.

The Turnovers for the past 2 Financial Years comprised:

	1999 (\$HK'000)	1998 (\$HK'000)
Sales of Goods	49,147	78,947
Proceeds from Disposal of Investment Properties	31,800	10,500
Rental Income	7,025	10,579
Totals	87,972	100,026

As can be seen from the above table, the Company had, already, started selling off its investment properties, probably out of necessity rather than any great desire to divest itself of some of the choice real estate, which is on its books.

In fact, some, or all, of the 1999 disposals must have been a matter of necessity since the Company had to take a 'bath' to the extent of nearly \$HK3 million, that 'bath' being '*Loss on disposal of investment properties*'. (see Note 6 on Page 31 of the 1999 Annual Report)

Clearly, without some outside help, in the shape of an injection of \$HK110 million, or thereabouts, it would have had to sell off more of its real assets in order to keep the (creditor) wolf away from its doors.

But even while Righteous was facing a rather difficult time, during the past Financial Year, it still paid its 6 Executive Directors salaries and benefits, totalling about \$HK4 million.

This was just about double what the 6 Executive Directors received in the 1998 Year.

The Operating Loss From Ordinary Activities Before Taxation, amounting to about \$HK97.18 million, comprised a \$HK50.92- million loss from '*Continuing operations excluding exceptional items*' and a Loss of about \$HK46.26-million, being '*Exceptional items*'.

Page 31 of the 1999 Annual Report gives the details of the Exceptional Items as follows:

	1999 (\$HK'000)	1998 (\$HK'000)
Deficit arising on revaluation of investment properties	(12,374)	(27,405)
Provision for diminution in value of licence rights	(9,515)	NIL
Surrender of licence right	(8,224)	NIL
Provision for bad and doubtful debt	(5,017)	NIL
Provision for inventories	(4,427)	NIL
Severance payments, fixed assets written off and other costs incurred as a result of the streamlining of the Group's operations	(3,773)	(2,779)
Loss on disposal of investment properties	(2,928)	NIL
TOTALS	(46,258)	(30,184)

The Business Of Righteous

At a time when the retail industry of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is suffering the worst situation in the past 15 years, Righteous is brave enough to expand its exposure to this industry.

The Chairman of Righteous, Mr Chen Guo Ping ... [CLICK TO ORDER FULL ARTICLE](#)

